

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>Lapeer County Emergency Medical Service Authority</b>	County <b>LAPEER</b>
Audit Date <b>12/31/2004</b>	Opinion Date <b>1/19/2005</b>	Date Accountant Report Submitted to State: <b>3/1/2005</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |                              |  |   |
|------------------------------|--|---|
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

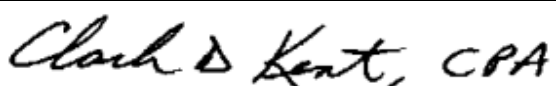
### We have enclosed the following:

The letter of comments and recommendations.

Reports on individual federal financial assistance programs (program audits).

Single Audit Reports (ASLGU).

Enclosed	To Be Forwarded	Not Required
X		
		X
		X

Certified Public Accountant (Firm Name) <b>BROWN &amp; KENT, PC</b>			
Street Address <b>951 S MIAN ST, SUITE #3</b>		City <b>LAPEER</b>	State <b>MI</b>
Accountant Signature 		ZIP <b>48446</b>	Date <b>3/1/2005</b>

**LAPEER COUNTY EMERGENCY MEDICAL SERVICE AUTHORITY  
LAPEER, MICHIGAN**

**FINANCIAL REPORT WITH ADDITIONAL INFORMATION  
FOR YEAR ENDED DECEMBER 31, 2004**

# LAPEER COUNTY EMERGENCY MEDICAL SERVICE AUTHORITY

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# BROWN & KENT, P.C.

## CERTIFIED PUBLIC ACCOUNTANTS

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### INDEPENDENT AUDITORS' REPORT

To the Board Members  
Lapeer County Emergency Medical Service Authority  
Lapeer, MI 48446

We have audited the accompanying financial statements of the business type activity and each major fund of Lapeer County Emergency Medical Service Authority ("EMS"), Lapeer, Michigan, as of and for the year ended December 31, 2004. These financial statements are the responsibility of EMS's management. Our responsibility is to express an opinion on these financial statements based on our audit.

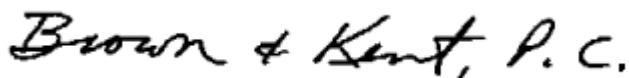
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activity and each major fund of Lapeer County Emergency Medical Service Authority, at December 31, 2004, and the respective changes in financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, EMS has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as of December 31, 2004.

The Management's Discussion and Analysis on pages II through V, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise EMS's basic financial statements. The accompanying Other Supplementary Information, as identified in the Table of Contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The Other Supplementary Information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Certified Public Accountants

January 19, 2005

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **MANAGEMENT’S DISCUSSION AND ANALYSIS**

As management of the Lapeer County Emergency Medical Service (“EMS”), Lapeer County, Lapeer, Michigan, we offer readers of the EMS’s financial statements this narrative overview and analysis of the EMS’s financial activities for the fiscal year ended December 31, 2004. We encourage readers to consider the information presented herein in conjunction with the EMS’s financial statements.

### **FINANCIAL HIGHLIGHTS**

- The EMS’s total net assets increased \$424,621, approximately 92%, over the course of the year. Approximately 48%, or \$202,971 of that increase was from an assessment subsidy that has been designated for wage increases, retirement benefits, and capital improvements.
- Net Operating Revenues increased \$251,382 over the prior fiscal year.
- Total Operating Expense decreased \$49,649 from the prior fiscal year.

### **USING THIS ANNUAL REPORT**

This discussion and analysis is intended to serve as an introduction to the EMS’s basic financial statements. The EMS’s basic financial statements comprise two components: (1) government-wide financial statements, and (2) notes to the financial statements. It also contains other supplemental information to provide a greater detail of the data presented in the basic financial statements.

#### **Government-wide Financial Statements**

Government-wide financial statements provide information about the activities of the EMS, presenting a broad long-term overview of the EMS’s finances, in a manner similar to a private-sector business. This longer-term view uses the accrual basis of accounting, so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The Statement of Net Assets presents information on all of the EMS’s assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as useful indicators of whether the financial position of the EMS is improving or deteriorating.

The Statement of Activities presents information showing how the EMS’s net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The Statement of Net Assets and the Statement of Activities report the governmental activities for the EMS, which encompasses all of the EMS’s services

#### **Reporting the EMS’s Most Significant Funds – Fund Financial Statements**

The EMS’s fund financial statements provide detailed information about the most significant funds, not the EMS as a whole.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by State law.

These fund financial statements present a short-term view; they tell us how the EMS's resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the EMS's operations in more detail than the government-wide financial statements by providing information about the EMS's most significant funds.

The EMS operates using a single fund type:

- (1) Enterprise Funds – The EMS maintains one type of enterprise fund to account for its services. Enterprise funds provide the same type of information as the government-wide financial statements, only in more detail.

### Notes To The Financial Statements

The notes that follow the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### THE EMS AS A WHOLE

As noted earlier, net assets may serve over time as a useful indicator of the government's financial position.

The following table shows, in a condensed format, the net assets as of December 31, 2004. Prior year information is not available, because this is the first year of the implementation of GASB Statement No. 34. Comparative data will be presented in future years.

<b>Assets</b>	
Current Assets	\$ 694,919
Capital Assets – Net of Depreciation	<u>327,581</u>
<b>Total Assets</b>	<b>\$ 1,022,500</b>
<b>Liabilities</b>	
Current Liabilities	125,711
Long Term Liabilities	<u>21,636</u>
<b>Total Liabilities</b>	<b>147,347</b>
<b>Net Assets</b>	
Invested in Capital Assets	284,747
Reserved	-
Unrestricted	<u>590,406</u>
<b>Total Net Assets</b>	<b><u>\$ 875,153</u></b>

The EMS's total net assets reported in the Statement of Net Assets increased \$424,621 over the prior fiscal year due in part to a special assessment subsidy of \$202,971 from the municipalities that own the EMS.

The following table shows the changes of the net assets during the fiscal year ending December 31, 2004. Prior year information is not available, because this is the first year of the implementation of GASB No. 34. Comparative data will be presented in future years.

<b>Revenue</b>	
Operating Revenue	\$ 2,741,606
Adjustments to Revenue	<u>(1,132,937)</u>
Net Operating Revenue	1,608,669
<b>Expenses</b>	
Operating Expenses	<u>1,463,509</u>
<b>Income from Operations</b>	145,610
<b>Non-operating Revenues (Expenses)</b>	
Township Ambulance Service Buy-in	47,411
Assessment Subsidy	202,971
Interest Income	2,152
Education Income	11,252
Miscellaneous Income	18,434
Interest Expense	<u>(3,209)</u>
<b>Non-operating Income</b>	<u>279,011</u>
<b>Change in Net Assets</b>	<u><u>\$ 424,621</u></u>

The EMS's net operating revenues, shown in the Statement of Revenues, Expenditures and Changes in Net Assets increased \$251,382 over the prior fiscal year. This increase is due in part to moving billing in-house not outsourcing, thereby, allowing better control over billing and collections. Return on bill-outs for 2004 averaged 58%, an increase of 11% over 2003. We have also held several documentation seminars with staff members in an effort to improve documentation, thereby, allowing us to charge for all procedures performed. Improvement of documentation assures proper reimbursement from all payors.

The operating expenses of the EMS decreased by \$49,649 over the prior fiscal year. This decrease is due in part to better control of expense and by doing away with unnecessary expense. Moving billing in-house lowered billing costs by approximately 40%. We have also been very conscientious when purchasing supplies and equipment to get the very best prices available.

### THE EMS'S FUNDS

The EMS uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the EMS is being accountable for the resources taxpayers and others provide to it and may provide more insight into the EMS's overall financial health.

The EMS completed this year with a fund balance of \$875,153, an increase of \$424,621 from last year.

The Enterprise Fund accounts for all of the EMS's services.



## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At December 31, 2004, the EMS had \$327,581 invested in broad range of capital assets, including land, buildings and equipment. This amount represents a net increase of \$74,885.

Land	\$ 5,000
Buildings and Improvements	72,431
Vehicles	772,762
Equipment	<u>312,896</u>
Total Capital Assets	1,163,089
Less Accumulated Depreciation	<u>835,508</u>
Net Capital Assets	<u>\$ 327,581</u>

Major capital asset transactions this year include the purchase of a new ambulance, the remounting of an ambulance and replacement of the EMS's computers.

### Debt Administration

As disclosed in the notes of the financial statements, the EMS has two (2) leases for ambulances totaling \$42,835, a decrease of \$19,065.

## GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the EMS amended the budget to take into account events during the year.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

We anticipate an increase in call volume as experienced each year. Next year's budget anticipates an increase in income of \$8,523, due to increased call volume. The EMS board approved the hiring of an operations supervisor to help oversee all activities of the EMS. The EMS assessed owning municipalities on a per capita basis to assist with financing of new vehicles and other major capital improvements, as well as wage increases and an anticipated retirement plan. Currently, that assessment is \$6.00 per capita. It is the goal of the EMS, to utilize fiscal responsibility, to be able to lower that assessment and still maintain efficient and quality emergency care to the residents of the owning municipalities.

## CONTACTING THE EMS'S MANAGEMENT

This financial report is intended to provide our clients, customers and investors with a general overview of the EMS's finances and to show the EMS's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the financial administrators office at 3056 Davison Road, Bldg. 1, Suite 1, Lapeer, MI 48446.

## **BASIC FINANCIAL STATEMENTS**

**LAPEER COUNTY EMERGENCY MEDICAL SERVICE AUTHORITY**  
**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2004**

**ASSETS**

Current Assets

Cash and Cash Equivalents	\$ 444,272
Accounts Receivable, Net of Uncollectible Allowance	215,144
Prepaid Expense	17,503
Deposits on Equipment	18,000
Total Current Assets	<u>694,919</u>

Capital Assets

Land	5,000
Buildings, Net of Depreciation	9,717
Vehicles, Net of Depreciation	285,257
Equipment, Net of Depreciation	27,607
Total Capital Assets	<u>327,581</u>

<b>TOTAL ASSETS</b>	<b><u>\$ 1,022,500</u></b>
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**LIABILITIES**

Current Liabilities

Accounts Payable	\$ 11,638
Accrued Payroll and Payroll Taxes	21,667
Patient Overpayments	20,000
Deferred Revenue	51,207
Current Portion of Long-term Debt	21,199
Total Current Liabilities	<u>125,711</u>

Long-term Debt

Leases Payable	21,636
Total Long-term Debt	<u>21,636</u>

<b>TOTAL LIABILITIES</b>	<b>147,347</b>
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Net Assets

Invested in Capital Assets Net of Related Debt	284,746
Restricted	-
Unrestricted	590,407
Total Net Assets	<u>875,153</u>

<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 1,022,500</u></b>
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The accompanying notes are an integral part of the financial statements.

**LAPEER COUNTY EMERGENCY MEDICAL SERVICE AUTHORITY  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND NET ASSETS  
FOR YEAR ENDED DECEMBER 31, 2004**

OPERATING REVENUES	\$ 2,741,606
ADJUSTMENTS TO OPERATING REVENUES	
Insurance Write-downs and Adjustments	916,769
Patient Refunds and Adjustments	13,409
Uncollectible Accounts	<u>202,759</u>
TOTAL ADJUSTMENTS TO OPERATING REVENUES	<u>1,132,937</u>
NET OPERATING REVENUES	1,608,669
OPERATING EXPENSES	<u>1,463,452</u>
OPERATING INCOME (LOSS)	145,217
NON-OPERATING REVENUES (EXPENSES)	
Township Ambulance Service Buy-in	47,411
Assessment Subsidy	202,971
Interest Income	2,152
Education Income	11,252
Miscellaneous Income	18,827
Interest Expense	<u>(3,209)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>279,404</u>
CHANGE IN NET ASSETS	424,621
NET ASSETS – BEGINNING OF YEAR	<u>450,532</u>
NET ASSETS – END OF YEAR	<u><u>\$ 875,153</u></u>

The accompanying notes are an integral part of the financial statements.

**LAPEER COUNTY EMERGENCY MEDICAL SERVICE AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**FOR YEAR ENDED DECEMBER 31, 2004**

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	\$ 1,616,291
Payments to Suppliers	(494,392)
Payments to Employees	<u>(937,233)</u>
Net Cash Provided By (Used In) Other Funds Operating Activities	<u>184,666</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Township Ambulance Service Buy-in	47,411
Assessment Subsidy	202,971
Education Income	11,252
Miscellaneous Income	<u>18,827</u>
Net Cash Provided By (Used In) Non-capital Financing Activities	<u>280,461</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Capital Assets	(149,205)
Principal and Interest Paid on Capital Debt	<u>(22,274)</u>
Net Cash Provided By (Used In) Capital and Related Financing Activities	(171,479)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received on Investments	<u>2,152</u>
Net Cash Provided By (Used In) Investing Activities	<u>2,152</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	295,800
CASH AND CASH EQUIVALENTS – Beginning of Year	<u>148,472</u>
CASH AND CASH EQUIVALENTS – End of Year	<u><u>\$ 444,272</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOW FROM OPERATING ACTIVITIES	
Operating Income	\$ 145,217
Adjustments to reconcile net income to net cash provided (used) by operating activities:	
Depreciation	74,320
(Increase) Decrease In:	
Receivable	(43,585)
Prepaid Expense	(3,926)
Deposits on Equipment	(18,000)
Increase (Decrease) In:	
Payable	(20,525)
Accrued Payroll and Payroll Taxes	(42)
Deferred Revenue	<u>51,207</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u><u>\$ 184,666</u></u>

The accompanying notes are an integral part of the financial statements.

## **NOTES TO THE BASIC FINANCIAL STATEMENTS**

**LAPEER COUNTY EMERGENCY MEDICAL SERVICE AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Lapeer County Emergency Medical Service Authority ("EMS"), operates under the Urban Corporation Act of 1967. Various local units of government within Lapeer County Have elected to provide ambulance services to residents within their area by joining the EMS. Each local unit appoints one individual to serve without pay, on the Board of Directors. The EMS has locations in Lapeer, North Branch, and Imlay City.

The accounting and reporting policies of the EMS conform to accounting principles generally accepted in the United States of America applicable to state and local governments. The more significant accounting policies of EMS are described below.

**A. REPORTING ENTITY**

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that financial statements are not misleading. The primary government of the EMS consists of all funds, departments, boards, and agencies that are not legally separate from the EMS.

**B. IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES**

For fiscal year 2004, the EMS has implemented GASB Statement No. 34 (GASB 34), "Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments," GASB Statement No. 37 (GASB 37), "Basic Financial Statements – and Management's Discussion and Analysis – for Sate and Local Governments: Omnibus" and GASB Statement No. 38 (GASB 38), "Certain Financial Statement Disclosures." At July 1, 2003, there was no effect on fund balance as a result of implementing GASB 37 and GASB 38.

The previously reported retained earnings reconciles to net assets of the EMS without any reconciling items.

**C. BASIS OF PRESENTATION**

**BASIC FINANCIAL STATEMENTS**

The EMS's basic financial statements include a Statement of Net Assets, a Statement of Revenues, Expenditures and Changes in Net Assets, and a Statement of Cash Flows, as required by GASB 34.

GASB 34 requires that Net Assets be classified into three components; 1) invested in capital assets, net of related debt, 2) restricted, and 3) unrestricted. The components are defined as follows:

1. Invested in capital assets, net of related debt – This component consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances, if any, of any borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted – This component consists of constraints placed on net assets used by external constraints imposed through creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted – This component consists of net assets that do not meet the definition of the other two components.

**LAPEER COUNTY EMERGENCY MEDICAL SERVICE AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. BASIC FINANCIAL STATEMENTS (Continued)

The EMS uses a single enterprise fund to account for its activities. Enterprise funds distinguish operating revenue and expense from non-operating items. Operating revenue and expenses generally result from providing services in connection with an enterprise fund's principal ongoing operations. The principal operating revenue of the EMS's enterprise fund related to charges to customers for services. Operating expenses for enterprise funds include the costs of these services, administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Measurement focus refers to what is being measured, basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Enterprise funds use the economic resources measurement focus and the accrual basis of accounting. This means revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

The revenues susceptible to accrual are charges for service and interest income. All other revenues are recognized when received.

E. BUDGETS AND BUDGETARY ACCOUNTING

The EMS Board follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the beginning of the fiscal year, the board proposes an operating budget. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year. State statute requires that the budget be submitted in summary form. Also, more detailed line item budgets are included for administrative control.
2. The budgets are adopted by a majority vote of the EMS Board.
3. Formal budgetary integration is employed as a management control device during the year.
4. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Amendments to the Budget are approved by the EMS Board, as necessary.

F. CASH EQUIVALENTS

The EMS considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.



**LAPEER COUNTY EMERGENCY MEDICAL SERVICE AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. CAPITAL ASSETS

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated Assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant, and equipment.

Assets capitalized have an original cost of \$1,000 or more and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings and Improvements	33 years
Equipment	5-10 years
Vehicles	6 years

H. NET ASSETS

Net assets represents the difference between assets and liabilities. Net assets invested in capital assets consists of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the EMS or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

I. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

J. ACCUMULATED UNPAID BENEFITS

Vacation days are earned by employees at a rate from 5 to 25 days per year with unused days at year-end being forfeited. Sick days are earned by employees at a rate of one day per month during the year. A maximum of 18 unused sick days may be accumulated by an employee. Any unused sick days, upon termination of employment, are forfeited by the employee. No provision has been made for accumulated sick pay liability since the amount is immaterial to the financial statements taken as a whole.

K. PREPAID EXPENSES

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

L. DEFERRED REVENUE

Deferred revenue relate primarily to the assessment subsidy that was imposed for July 1, 2004 to June 30, 2005. The assessment was to be collected in quarterly payments. The deferred revenue is money received in excess of one-half of the assessment.

**LAPEER COUNTY EMERGENCY MEDICAL SERVICE AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

**NOTE 2 – CASH AND EQUIVALENTS AND INVESTMENTS**

**CASH AND EQUIVALENTS**

A summary of cash and equivalents as of December 31, 2004 follows:

	<u>Carrying Value</u>	<u>Bank Balance</u>	<u>Covered By FDIC Insurance</u>
Demand Deposits	\$ 444,272	\$ 570,335	\$ 173,646
	<u>\$ 444,272</u>	<u>\$ 570,335</u>	<u>\$ 173,646</u>

Bank balance does not reflect deposits in transit or outstanding checks.

FDIC Regulation Number 330.8 provides that deposits of a governmental unit are insured for the lesser of the amount of the combined deposit or \$100,000, in every financial institution that is not a branch location and that is a member of FDIC in the following deposit accounts:

1. All demand, non-interest bearing accounts (checking), in the name of the authorized or statutory custodian (treasurer) of public funds.
2. All savings deposits which include regular passbook, daily interest savings, and time certificates of deposit in the name of the governmental unit's custodian.

**NOTE 3 – LONG-TERM DEBT**

The EMS has entered into capital lease agreements for the purchase of ambulances. The ambulances are security for the leases that have no penalty for early payoff.

The following is a summary of changes in long-term debt for the year ended December 31, 2004.

	<u>Interest Rate</u>	<u>Maturing</u>	<u>Balance 12/31/03</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Outstanding 12/31/04</u>
Lease 010-01	6.57%	10/9/06	\$ 30,235	\$ -	\$ 9,174	\$ 21,061
Lease 120-01	6.57%	10/9/06	31,665	-	9,891	21,774
			<u>61,900</u>	<u>\$ -</u>	<u>\$ 19,065</u>	<u>42,835</u>
Less Current Portion						<u>21,199</u>
Total Long- term Debt						<u><u>\$ 21,636</u></u>

Interest expense of \$3,209 has been charged to operations, no interest has been capitalized as of December 31, 2004.

**LAPEER COUNTY EMERGENCY MEDICAL SERVICE AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

**NOTE 3 – LONG-TERM DEBT** (Continued)

Total principal and interest payments are as follows:

Year Ended December 31	Principal	Interest	Total
2005	\$ 21,199	\$ 2,033	\$ 23,232
2006	21,636	1,596	23,232
Total	<u>\$ 42,835</u>	<u>\$ 3,629</u>	<u>\$ 46,464</u>

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2004, was as follows:

	Balance 12-31-03	Additions	Deletions	Balance 12-31-04
Capital Assets Not Being Depreciated				
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Total Capital Assets Not Being Depreciated	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>5,000</u>
Capital Assets Being Depreciated				
Buildings	72,431	-	-	72,431
Equipment	290,481	22,415	-	312,896
Vehicles	754,684	126,790	108,712	772,762
Total Capital Assets Being Depreciated	<u>1,117,596</u>	<u>149,205</u>	<u>108,712</u>	<u>1,158,089</u>
Less Accumulated Depreciation for				
Buildings	60,652	2,062	-	62,714
Equipment	273,693	11,596	-	285,289
Vehicles	535,555	60,662	108,712	487,505
Total Accumulated Depreciation	<u>869,900</u>	<u>74,320</u>	<u>108,712</u>	<u>835,508</u>
Total Capital Assets Being Depreciated, Net	<u>247,696</u>	<u>74,885</u>	<u>-</u>	<u>322,581</u>
Total Government Assets, Net	<u>\$ 252,696</u>	<u>\$ 74,885</u>	<u>\$ -</u>	<u>\$ 327,581</u>

Depreciation expense was \$74,320 for the year ended December 31, 2004, and was charged as direct expense to operating expenses.

**NOTE 5 – OPERATING LEASES**

The EMS maintains an office at 3056 Davison Road, Lapeer, MI. The initial lease covered the period from November 2002 through October 2005. The 2004 total rent expense was \$17,328.

**LAPEER COUNTY EMERGENCY MEDICAL SERVICE AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

**NOTE 6 – RISK MANAGEMENT**

The EMS is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters.

The EMS carries commercial insurance for risks to cover these losses. The EMS also continues to carry commercial insurance for other risks of loss, including employee health and accident insurance.

**NOTE 7 – COMMITMENT**

On December 28, 2004, the EMS entered into a capital lease agreement for the purchase of five Life Pack 12 defibrillators. A deposit of \$18,000 was issued on December 28, 2004, with 25 monthly payments of \$3,858 remaining. The deposit is classified as a current asset on the Statement of Net Assets.

**NOTE 8 – ACCOUNTS RECEIVABLE**

Receivables as of December 31, 2004 were as follows:

Governmental Units	\$ 8,017
Charges for Services	425,482
Less Allowance for Write-downs and Write-offs	<u>(218,355)</u>
	<u>\$ 215,144</u>

**NOTE 9 – RESTATEMENT OF BEGINNING NET ASSETS**

As a result of adjusting the beginning accounts receivable balance, the December 31, 2003 Net Assets have been reduced. Prior collections were not properly reflected in the accounts receivable balance in year of receipt.

	12/31/03 <u>NET ASSETS</u>
As originally reported in prior financial statements	\$ 459,932
Accounts Receivable Adjustment (Goodland Township)	<u>(9,400)</u>
ADJUSTED NET ASSETS	<u>\$ 450,532</u>

## OTHER SUPPLEMENTAL INFORMATION

**LAPEER COUNTY EMERGENCY MEDICAL SERVICE AUTHORITY**  
**SCHEDULE OF OPERATING EXPENSES**  
**FOR YEAR ENDED DECEMBER 31, 2004**

Ambulance and Medical Supplies	\$ 32,844
Bank Service Charges	2,038
Collection Expenses	1,109
Communications	
Paging	50
Telephone	10,006
Wireless	2,463
Computer Software/Hardware – Support/Upgrades	4,556
Computer Technical Support	1,323
Contract Services	5,120
Depreciation	74,320
Education Division Expenses	5,986
Education Personal Expenses	8,562
Fuel	32,356
Insurance	
Health	60,804
Liability	36,724
Workers' Compensation	50,799
Internet Web Hosting	968
Licenses – Vehicles and Personnel	763
Lodging/Meals/Expense Account	714
Membership Dues	2,024
Office Supplies	10,355
OSHA Compliance and Safety	171
Payroll Taxes	75,751
Professional Fees	
Audit	7,698
Legal	4,420
Rent	
Office	17,328
Equipment	3,688
Records Storage	588
Repairs and Maintenance	
Vehicle	46,409
Field Equipment	4,801
Grounds	3,520
Office Equipment	89
Station Supplies	2,185
Uniforms	3,607
Utilities	12,122
Wages	937,191
	<hr/>
TOTAL OPERATING EXPENSES	<u><u>\$ 1,463,452</u></u>

# BROWN & KENT, P.C.

## CERTIFIED PUBLIC ACCOUNTANTS

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LAPEER, MICHIGAN 48446

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To the Board Members  
Lapeer County Emergency Medical Authority  
3056 Davison Rd, Bldg. 1, Suite 1  
Lapeer, MI 48446

We have completed our audit of the financial statements of Lapeer County Emergency Medical Authority for the year ended December 31, 2004. Certain matters came to our attention during the audit engagement for which we offer the following comments and suggestions for your review and consideration.

Signature Stamp – It is Lapeer County EMS' policy to have two signatures on all checks by two authorized board members. It came to our attention that there are signature stamps and the bookkeeper and executive director have access to these stamps. These stamps should be in the possession of the signor.

Accounts Receivable Subsidiary Ledger – The EMS tracks non-patient related invoices through a subsidiary accounts receivable ledger. During our audit, we noticed there were some differences between the subsidiary ledger and the general ledger. We recommend this subsidiary ledger be reconciled to the general ledger account on a monthly basis.

Patient Accounts Receivable – The EMS uses a billing program for the patient charges that is not integrated with the accounting system. On a monthly basis, an adjustment should be made to reflect the current patient accounts receivable and allowance for insurance write-downs and bad debts.

Payroll Reports – Wage accounts in the general ledger should agree with the amounts being reported on the Employers Quarterly Federal Tax Returns. It was discovered that reports used to prepare these returns were being run on pay period ending basis rather than based on the calendar quarter ending dates. We have discussed with the bookkeeper the proper way to run these reports. We recommend quarterly reconciliation of the Employers Quarterly Federal Tax Return to the wage accounts on the general ledger to ensure that these amounts agree in the future.

We wish to thank the board for the opportunity to serve as auditors for the Lapeer County Emergency Medical Authority. We would also like to thank the executive director and staff for the courtesy and assistance provided to us during our audit.

Please contact us, if you have any questions regarding these or any other matters.

*Brown & Kent, P.C.*

Certified Public Accountants

January 19, 2005